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**State of Utah**

**Department of  
Natural Resources**

MICHAEL R. STYLER  
*Executive Director*

**Division of  
Oil, Gas & Mining**

JOHN R. BAZA  
*Division Director*

GARY R. HERBERT  
*Governor*

GREG BELL  
*Lieutenant Governor*

April 19, 2011

Jay Marshall, Resident Agent  
UtahAmerican Energy, Inc.  
P.O. Box 910  
East Carbon, Utah 84520-0910

Subject: Five-Year Permit Renewal, Horse Canyon Mine, UtahAmerican Energy, Inc., C/007/0013, Task #3736, Outgoing File


Dear Mr. Marshall:

The permit renewal for the Horse Canyon Mine is approved. Enclosed are two (2) copies of the renewed permanent program permit for the Horse Canyon Mine.

Please have both permits signed by the designated signatory authority and return one signed copy to the Division.

If you have any questions, please call me.

Sincerely,

  
John R. Baza  
Director

JRB/sqs  
Enclosures  
cc: Kenneth Walker, OSM  
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**UTAH DIVISION OF OIL, GAS AND MINING  
STATE DECISION DOCUMENT**

**For  
PERMIT RENEWAL**

**UtahAmerican Energy, Inc.  
Horse Canyon Mine**

**C/007/0013**

**April 18, 2011**

**Contents**

- \* Administrative Overview
- \* Permitting Chronology
- \* Findings
- \* Permit
- \* Publication Notice
- \* AVS Compliance Memo

## **ADMINISTRATIVE OVERVIEW**

UtahAmerican Energy, Inc.  
Horse Canyon Mine

C/007/0013

**April 18, 2011**

### **Background**

Horse Canyon Mine is an underground coal mine located in Emery and Carbon Counties, Utah, within the Book Cliffs Coal Field, about 120 miles southeast of Salt Lake City. The mine was initially opened by the Defense Plant Corporation in 1942 as the source of metallurgical grade coal for the Geneva Steel Works in Orem, Utah. The mine was sold to U.S. Steel in 1946, which operated the mine until January 1984, when all mining was permanently suspended.

U.S. Steel submitted a permanent program mining and reclamation plan permit application on March 17, 1981 for the operations existing at that time consisting of 3,120 acres of pre and post law underground mine workings and approximately 87 acres of surface disturbance. In 1982 U.S. Steel temporarily suspended mining operations at the Horse Canyon (Geneva) Mine and in 1984 permanently suspended mining operations.

On November 11, 1984, Kaiser Steel Corporation purchased the Horse Canyon Mine property from U.S. Steel, submitted a permanent program reclamation bond in the amount of \$918,649, and indicated to the Division that it would maintain the operations in a temporary suspension status pending further corporate decisions as to the future use of the facilities.

However, On February 13, 1987, Kaiser Coal (successor in interest to Kaiser Steel) filed a petition for bankruptcy under Chapter 11, Title 11, of the U.S. Bankruptcy Code. On April 5, 1990, Intermountain Power Agency acquired the Horse Canyon Mine and submitted a letter of credit in the amount of \$1,359,000 on July 2, 1990 to secure reclamation obligations. A permanent program permit was issued May 6, 1991 and included 1116 acres.

Intermountain Power Agency completed the reclamation of 51.56 acres of the 74 acres of surface disturbance in 1991. Phase I bond release was granted on February 5, 1997.

UtahAmerican Energy, Inc. purchased the Horse Canyon Mine property and obtained permit rights in December 1998. A significant revision to the Horse Canyon Mine permit was submitted to the Division September 8, 1998 to mine south of Horse Canyon and develop new mining facilities in Lila Canyon. This significant revision was approved on July 27, 2001, but the Division decision was remanded by the Board which reversed the permit as a result of an appeal by the Southern Utah Wilderness Alliance (SUWA). The Board ordered the Division to continue to process the permit on January 23, 2002. UEI resubmitted the permit application on February 11, 2002. The application was determined administratively complete on February 25,

2002. The application was approved and a revised permit issued May 18, 2007.

Phase II bond release on the reclaimed Horse Canyon (Geneva) mine was approved on April 11, 2002 for UtahAmerican Energy, Inc. (UEI) with the removal of the sediment ponds. The remaining 22.44 acres were acquired by the College of Eastern Utah for educational opportunities associated with the college, such as field camps. Phase III Bond Release was approved on November 30, 2009 for 74.26 acres. This left the Horse Canyon mine with 5992.07 acres in the permit with 42.6 acres of bonded/disturbed area.

### **Proposal**

UtahAmerican Energy, Inc. made application to the Division for a five-year permit renewal for the Horse Canyon Mine on February 7, 2011. The proposal is to renew the permit on the same area and using the same mine plan as currently permitted.

### **Public Notice**

The renewal application was determined administratively complete February 8, 2011. Public notice for this permit renewal was published in the Sun Advocate and Emery County Progress for four consecutive weeks beginning on February 15, 2011 and ending on March 8, 2011. No comments were received.

### **Recommendation for Renewal**

The Division made the decision on April 18, 2011 to approve the permit renewal for five years based on the fact that:

1. The terms and conditions of the existing permit are being satisfactorily met.
2. The present coal mining and reclamation operations are in compliance with the environmental protection standards of the State Program.
3. The renewal does not substantially jeopardize the operator's continuing ability to comply with the State Program on existing permit areas.
4. The operator has provided evidence of having liability insurance and a performance bond will be in effect for the operation and will continue in full force and effect.
5. The permit is conditioned with the requirement to:
  - Submit water quality data through the Electronic Data Input web site.

The current bond amount of \$1,807,000 has been reviewed and found adequate for the currently approved Horse Canyon Mine permit area.

### **Recommendation**

Approval for this permit renewal is recommended.

## PERMITTING CHRONOLOGY

UtahAmerican Energy, Inc.  
Horse Canyon Mine

C/007/0013

April 18, 2011

February 7, 2011	UtahAmerican Energy, Inc. (UEI) submits permit renewal application.
February 8, 2011	Division issues Determination of Completeness for the Horse Canyon Mine permit renewal application.
February 15, 2011	First publication date of four consecutive weeks for Public Notice of permit renewal for the Horse Canyon Mine published in the <u>Sun Advocate</u> and <u>Emery County Progress</u> .
April 7, 2011	End of public comment period and no comments were received.
April 14, 2011	AVS Compliance check is completed.
April 18, 2011	Permit is renewed effective May 6, 2011.

**PERMIT RENEWAL FINDINGS**

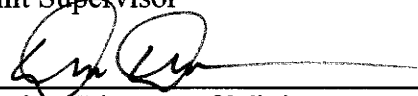
UtahAmerican Energy, Inc.  
Horse Canyon Mine

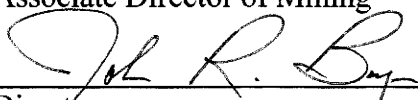
C/007/0013

April 18, 2011

1. The permit renewal term will not exceed the original permit term of five years (R645-303-234).
2. The terms and conditions of the existing permit are being met. (R645-303-233.110).
3. The present coal mining and reclamation operations are in compliance with the environmental protection standards of the Act and the Utah State Program (R645-303-233.120).
4. The requested renewal will not substantially jeopardize the operator's continuing ability to comply with the Act and the Utah State Program (R645-303-233.130).
5. The operator has provided evidence of maintaining liability insurance in full effect (Federal Insurance Company) (R645-303-233.140).
6. The operator has adequate reclamation sureties on file with the Division and has provided evidence that the surety will remain in full effect. (Surety Performance Bonds issued by: XL Specialty Insurance Company in the amount of \$1,807,000 (R645-303-233.150).
7. To date, the operator has submitted all updated information as required by the Division through this permit term for the Horse Canyon Mine. (R645-233.160).

  
\_\_\_\_\_  
Permit Supervisor

  
\_\_\_\_\_  
Associate Director of Mining

  
\_\_\_\_\_  
Director

**FEDERAL**

**C/007/0013**

**May 6, 2011**

**STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING  
1594 West North Temple, Suite 1210  
Salt Lake City, Utah 84114-5801  
(801) 538-5340**

This permit, C/007/0013, is issued for the state of Utah by the Utah Division of Oil, Gas and Mining (Division) to:

**UtahAmerican Energy, Inc.  
P.O. Box 910  
East Carbon, Utah 84520-0910**

for the Horse Canyon Mine Complex, including the Geneva and Lila Canyon Mines. Four surety bonds are filed with the Division in the amount of \$8,000.00, \$130,000.00, \$1,556,000.00 and \$113,000 (totaling \$1,807,000) payable to the State of Utah, Division of Oil, Gas and Mining and the United States Department of Interior, Office of Surface Mining Reclamation and Enforcement (OSM). The Division must receive a copy of this permit signed and dated by the permittee.

**Sec. 1 STATUTES AND REGULATIONS** - This permit is issued pursuant to the Utah Coal Mining and Reclamation Act of 1979, Utah Code Annotated (UCA) 40-10-1 et seq, hereafter referred to as the Act.

**Sec. 2 PERMIT AREA** - The permittee is authorized to conduct coal mining and reclamation operations on the following described lands within the permit area at the Horse Canyon Mine (including the Lila Canyon extension), situated in the state of Utah, Carbon and Emery Counties, and located:

**Geneva Mine in Horse Canyon**

Ditch 31 within the reclaimed Refuse Pile in Horse Canyon, NW1/4 of NW1/4 of Section 9 of T16S R14E, SLBM

**Lila Canyon Mine and Lila Canyon Portals**

**T16S R14E**

Section 10: Portions of SE1/4  
Section 11: E1/2  
Portions of W1/2

Section 12: All  
Section 13: All  
Section 14: All  
Section 15: Portions of E1/2  
Portions of SW1/4  
Section 22: NE1/4 NE1/4  
Section 23: N1/2  
SE1/4  
E1/2 SW1/4  
Section 24: All  
Section 25: N1/2  
Section 26: E1/2 NE1/4

**T16S R15E**

Section 19: W1/2 SW1/4  
SE1/4 SW1/4  
Section 30: NW1/4  
SW1/4 NE1/4

This legal description is for the permit area of the Horse Canyon Mine (including the Lila Canyon extension). The permittee is authorized to conduct coal mining and reclamation operations on the foregoing described property subject to all applicable conditions, laws and regulations.

**Sec. 3 COMPLIANCE** - The permittee will comply with the terms and conditions of the permit, all applicable performance standards and requirements of the State Program.

**Sec. 4 PERMIT TERM** - This permit expires on May 6, 2016.

**Sec. 5 ASSIGNMENT OF PERMIT RIGHTS** - The permit rights may not be transferred, assigned or sold without the approval of the Division Director. Transfer, assignment or sale of permit rights must be done in accordance with applicable regulations, including but not limited to 30 CFR 740.13{e} and R645-303-300.

**Sec. 6 RIGHT OF ENTRY** - The permittee shall allow the authorized representative of the Division, including but not limited to inspectors, and representatives of the Office of Surface Mining Reclamation and Enforcement (OSM), without advance notice or a search warrant, upon presentation of appropriate credentials, and without delay to:

- (a) Have the rights of entry provided for in 30 CFR 840.12, R645-400-220, 30 CFR 842.13 and R645-400-110;



- (b) be accompanied by private persons for the purpose of conducting an inspection in accordance with R645-400-100 and R645-400-200 when the inspection is in response to an alleged violation reported to the Division by the private person.

**Sec. 7 SCOPE OF OPERATIONS** - The permittee shall conduct coal mining and reclamation operations only on those lands specifically designated as within the permit area on the maps submitted in the approved plan and approved for the term of the permit and which are subject to the performance bond.

**Sec. 8 ENVIRONMENTAL IMPACTS** - The permittee shall take all possible steps to minimize any adverse impact to the environment or public health and safety resulting from noncompliance with any term or condition of the permit, including, but not limited to:

- (a) Any accelerated or additional monitoring necessary to determine the nature and extent of noncompliance and the results of the noncompliance;
- (b) immediate implementation of measures necessary to comply; and
- (c) warning, as soon as possible after learning of such noncompliance, any person whose health and safety is in imminent danger due to the noncompliance.

**Sec. 9 DISPOSAL OF POLLUTANTS** - The permittee shall dispose of solids, sludge, filter backwash or pollutants in the course of treatment or control of waters or emissions to the air in the manner required by the approved Utah State Program and the Federal Lands Program which prevents violation of any applicable state or federal law.

**Sec. 10 CONDUCT OF OPERATIONS** - The permittee shall conduct its operations:

- (a) In accordance with the terms of the permit to prevent significant, imminent environmental harm to the health and safety of the public; and
- (b) utilizing methods specified as conditions of the permit by the Division in approving alternative methods of compliance with the performance standards of the Act, the approved Utah State Program and the Federal Lands Program.

**Sec. 11 EXISTING STRUCTURES** - As applicable, the permittee will comply with R645-301 and R645-302 for compliance, modification, or abandonment of existing structures.

- Sec. 12 RECLAMATION FEE PAYMENTS** - The operator shall pay all reclamation fees required by 30 CFR Part 870 for coal produced under the permit, for sale, transfer or use.
- Sec. 13 AUTHORIZED AGENT** - The permittee shall provide the names, addresses and telephone numbers of persons responsible for operations under the permit to whom notices and orders are to be delivered.
- Sec. 14 COMPLIANCE WITH OTHER LAWS** - The permittee shall comply with the provisions of the Water Pollution Control Act (33 USC 1151 et seq.) and the Clean Air Act (42 USC 7401 et seq), UCA 26-11-1 et seq, and UCA 26-13-1 et seq.
- Sec. 15 PERMIT RENEWAL** - Upon expiration, this permit may be renewed for areas within the boundaries of the existing permit in accordance with the Act, the approved Utah State Program and the Federal Lands Program.
- Sec. 16 CULTURAL RESOURCES** - If during the course of mining operations, previously unidentified cultural resources are discovered, the permittee shall ensure that the site(s) is not disturbed and shall notify the Division. The Division, after coordination with OSM, shall inform the permittee of necessary actions required. The permittee shall implement the mitigation measures required by Division within the time frame specified by Division.
- Sec. 17 APPEALS** - The permittee shall have the right to appeal as provided for under R645-300-200.
- Sec. 18 SPECIAL CONDITIONS** - There are special conditions associated with this permitting action as described in attachment A.

The above conditions (Secs. 1-18) are also imposed upon the permittee's agents and employees. The failure or refusal of any of these persons to comply with these conditions shall be deemed a failure of the permittee to comply with the terms of this permit and the lease. The permittee shall require his agents, contractors and subcontractors involved in activities concerning this permit to include these conditions in the contracts between and among them.

These conditions may be revised or amended, in writing, by the mutual consent of the Division and the permittee at any time to adjust to changed conditions or to correct an oversight. The Division may amend these conditions at any time without the consent of the permittee in order to make them consistent with any federal or state statutes and any regulations

**THE STATE OF UTAH**

By: John R. Dwyer

Date: 4/29/2011

I certify that I have read, understand and accept the requirements of this permit and any special conditions attached.

**Authorized Representative of Permittee**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**Attachment A**

**SPECIAL CONDITIONS**

(May 6, 2011)

1. UtahAmerican Energy, Inc (UEI) will submit water quality data for the Horse Canyon Mine, in an electronic format through the Electronic Data Input web site, **<http://hlunix.hl.state.ut.us/cgi-bin/appx-ogm.cgi>**.
2. UEI will conduct annual inspections of the Lila Canyon portals and submit a report of conditions by May 5<sup>th</sup> each year until the site is permanently reclaimed.

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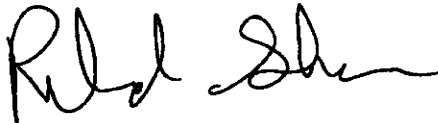
**AFFIDAVIT OF PUBLICATION**

STATE OF UTAH)

ss.

County of Carbon,)

I, Richard Shaw, on oath, say that I am the Publisher of the Sun Advocate, a twice-weekly newspaper of general circulation, published at Price, State of Utah a true copy of which is hereto attached, was published in the full issue of such newspaper for 4 (Four) consecutive issues, and on the Utah legals.com website, the first publication was on the 15th day of February, 2011, and that the last publication of such notice was in the issue of such newspaper dated the 8th day of March 2011.



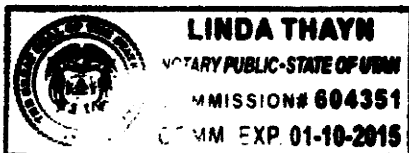
Richard Shaw – Publisher

Subscribed and sworn to before me this 8th day of March, 2011.



Notary Public My commission expires January 10, 2015 Residing at Price, Utah

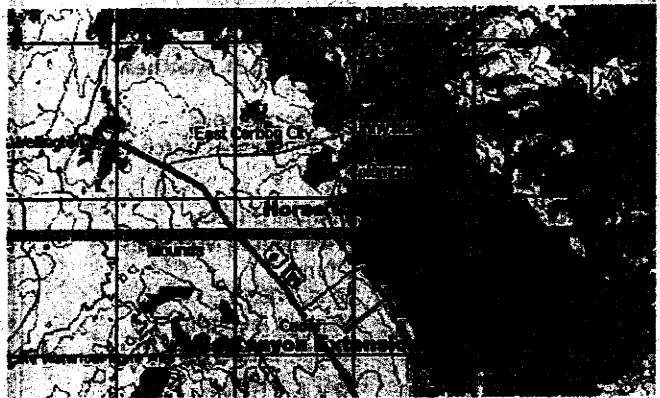
Publication fee, \$ 504.00



**PUBLIC NOTICE  
APPLICATION FOR PERMIT RENEWAL  
UTAHAMERICAN ENERGY, INC.  
BOX 910  
EAST CARBON, UTAH 84520  
HORSE CANYON MINE**

Notice is hereby given that UtahAmerican Energy, Inc. Submitted an "Application for Permit Renewal" under 645-303-230 for Permit C/007/013 for the Horse Canyon Mine to the State of Utah, Department of Natural Resources Division of Oil, Gas and Mining.

The lands involving activities are located in Carbon and Emery counties. The site is located in Horse and Lila Canyons approximately 25 miles southeast of Price, Utah. The permit area encompasses approximately 1,116 acres in the original Horse Canyon permit, Part "A", and an additional 4,664 acres in the Lila Canyon Extension, Part "B". The permit area is shown on the area map below.



A copy of the permit renewal application may be examined at the office of the Division of Oil, Gas and Mining, 1594 West North Temple, Suite 12310, Salt Lake City, Utah 84114-5801 and also at the Recorders Office located in the Carbon county courthouse in Price, Utah, or the Emery County courthouse in Castle Dale, Utah. Written comments, objections, or requests for an informal conference may be submitted to the Salt Lake City address. Said comments must be submitted no later than thirty (30) days from the date of the last publication of this notice. This notice is being published to comply with the surface Mining and Reclamation Act of 1977, and State and Federal regulations promulgated pursuant to said Act.  
Published in the Sun Advocate February 15 and 22, March 1 and 8, 2011.